Fake companies in stock market

†4300. SHRIMATI SUSHMA SWARAJ: Will the Minister of COMPANY AFFAIRS be pleased to state:

(a) the number of fake companies detected in stock market during the last two years;

(b) what action is being taken against these companies; and

(c) the details of the efforts made for the protection of small investors in stock market?

THE MINISTER OF COMPANY AFFAIRS (SHRI PREM CHAND GUPTA): (a) and (b) Companies raise capital in the stock market on the basis of valid incorporation under the Companies Act, 1956, compliance with the Rules/Regulations under the Companies Act, 1956 and the SEBI Act, 1992, listing agreements with the Stock Exchange concerned and subject to the Guidelines and Regulation of SEBI as the Capital market regulator. As such, no instances of fake companies have come to notice in the stock market in the last two years.

(c) the details of the efforts made by the Government for the protection of small investors in the stock market are as under:

(i) The enactment of the SEBI Act, 1992 for setting up of SEBI to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and related matters;

(ii) Setting up of an Investor Education and Protection Fund (IEPF) by an amendment enacted in 1999, in the Companies Act, 1956, by addition of Section 205(C) in the Act, for promotion of investors' awareness and protection of their interests;

(iii) Setting up of the Serious Fraud Investigation Office (SFIO) under the Ministry of Company Affairs to investigate cases of corporate fraud and to prosecute such Directors and Officers of the company who may have conducted the affairs of the company in a fraudulent manner detrimental to, *inter alia,* the interest of investors.

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†Original notice of the question was received in Hindi.

(iv) Implementation of MCA 21, the e-governance programmes of the Ministry of Company Affairs, under which disclosures made through documents filed by the companies as required by statute are available for viewing in electronic form, on-line, on round the clock basis to stakeholders on payment of prescribed fees. This initiative is aimed at ensuring enhanced transparency as to the management, governance and financial affairs of companies, thereby enabling protection of the interest of investors/ stakeholders.

Plan for investor education

4301. SHRI V. HANUMANTHA RAO: Will the Minister of COMPANY AFFAIRS be pleased to state:

(a) whether Government have chalked out an elaborate plan for investor education and protection during the year 2007-08;

(b) in what manner Government propose to spread financial literacy and investor education;

(c) whether a special fund has been constituted for this purpose;

(d) whether Government would also warn small investors of the deliberate stock market manipulations; and

(e) the steps proposed to protect the small investors from being defrauded?

THE MINISTER OF COMPANY AFFAIRS (SHRI PREM CHAND GUPTA): (a) and (b) Yes, Sir. This Ministry has chalked out an elaborate plan for investor education and protection under Investor Education & Protection Fund (IEPF) for the year 2007-2008:—

(i) Organising seminars/programmes on investor education through associations registered under IEPF to educate the investors about the Initial Public Offers (IPOs), Capital market instruments and mutual funds;

(ii) Conducting Training the Trainers' Programme for capacity building of the Non Governmental Organisations/Voluntary Organisations;